FOR MYSORE STATE

Public Works (1953) Department.

Ms. SERIES.

G.O. NO. 105

105

Dated 8th January 1953

8/1/1953

[Despatch Abstract.]

Electricity - Hospet Electrical Undertaking . Acquisition - by Government - Cylinder Head taken on loan from Cuddapah Electrical Company Limited - Payment of cost and interest thereon - Ordered.

GOVERNMENT ELECTRICITY DEPARTMENT

From
The Chief Operation Engineer (North),
157, Mount Road, Madras.

To
The Secretary to Government,
Public Works Department, Madras.

No.696C/51-51 dated 19-11-52.

101259

Sir,

Sub:- Electricity - Acquisition of Hospet municipal electrical undertaking - Cylinder Head of the Cud Electric Supply Corporation - Taken on loan - Payment of interest - Approval requested.

Messrs. The Cuddapah Electric Supply Company L had given on loan a cylinder head costing Rs.680/- to the Ho municipal electrical undertaking on 27-5-47. After sometime as the Hospet undertaking was prepared to purchase the cylin head, the company claimed Rs.680/- towards cost plus interes on that amount at 12%. But the municipality did not pay the amount in spite of repeated reminders from the Company. Reference is in this connection invited to the Chief Electri Inspector to Government's letter Nos. 1144N/50-67 dated 27-10 1144N/50-75 dated 1-12-51 and 1144N/50-77 dated 8-1-52.

2) Copies of the following correspondence are also enclosed:-

1) Letter dated 19-2-48 from the Company to the Commissioner and the latter's reply.
2) Commissioner's letter dated 3-4-48 to the Compan
3) Letter dated 1-6-48 from the Company and the Commissioner's note.
4) Letter dated 5-7-48 from the Commissioner to the Assistant Engineer, Cuddapah.
5) Letter dated 17-7-48 from the Assistant Engineer Cuddapah to the Commissioner.

3) It is clear from the correspondence that the Hospet municipality had accepted the liability. The amount of Rs.680/- and the interest claimed thereon have not been paid and a sum of Rs.680/- has been included as a liability in th Balance sheet of the Hospet undertaking as on the vesting date. As all the assets and liabilities of the undertaking on the vesting date have passed on to Government and as the cylinder head under reference is among the assets taken over by the Department from that undertaking, the liability of Rs.680/- plus interest has to be discharged by the Departmen

4) The matter was taken up with the Accredited Represe tative of the Cuddapah Electric Supply Corporation Ltd, by t Chief Controller of Accounts and he has since agreed to redu the interest rate to 6% and for a total payment of Rs.760-12 (cost of the cylinder head 679-3-4 and interest for 2 years Rs.81-9-6) and rendered a bill for the amount. There was no written agreement between the Hospet municipality and the Cuddapah Electric Supply Company Ltd covering this trans tion for payment of interest on the cost if there was delay payment. In as much as the payment of the cost of the cylin head was not made in time, it appears quite reasonable to concede the claim for interest thereon as agreed to now between the Accredited Representative and the Department.

P.T.O.

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5 As the claim of the Company was a liability of the Hospet municipal electrical undertaking and as it is reasonable, I request approval of Government for discharging that liability under section 7(3) of the Act by paying to the Company the cost of the cylinder head plus interest at 6% as per the bill rendered by the Accredited Representative. "

Encl.
VAG.24/11.

FOR CHIEF OPERATION ENGINEER (NORTH)

24.11.52

Routine

SPO (O)

AS.

This relates to the proposal of CEE (N) for sanction of payment of the value of a cylinder (with interest) to Cuddapah Electric Supply Co. Ltd, which was supplied to Hospet Municipal electrical undertaking which has since been acquired by Govt. As all accts are dealt with in Q section, this may be transferred to that section for necessary action

1/11/52

Copy of letter No.43/0/48 dt.19-2-48 from the Managing Director, Cuddapah Electric Supply Co., Ltd., to the Commissioner, Hospet.

Sub: Cylinder head loaned to you.

We regret we have not received the cylinder head loaned to you on 27-5-47.

Please send us the new head if you have received the same from M/s. Parry & Co. Please note that we will be debiting your accountant with interest at 12% on Rs.680/- being the cost of the cylinder head from 27-5-47 till the date of return of the cylinder head. In this connection we would like to inform you that the C.E.I.G. of Madras had asked us to pay you interest at 12% when we had borrowed two cylinder heads from you previously, and we will paid it to you.

Sd./x x x x/Managing Director.

Reply:

We have not as yet received new cylinder head from M/s. Parry & Co. with whom orders were placed in May last year. We are again reminding them and as soon as we get reply from them we will let you know. Please let me know, if you will accept the payment of cost of the cylinder head now to avoid interest charges.

Remind Parry & Co.

Copy of letter from Commission C.No.2981/47 dt. 3-4-48 to the Managing Director, Cuddapah Ele. Supply Co., Ltd.,

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Sub: Cylinder Head supplied by you to Hospet Municipality on 27-5-47.

I invite your attention to this office letter dt.23-2-48 offering to pay you the amount of Rs.680/- for the above cylinder head and thereby avoid the interest charges. No reply has been received on this behalf from you. Please let me know, if you accept to the above payment. If you do not accept payment of money when it is offered to avoid interest charges, the Municipality cannot be in a position to entertain any claims from you for interest.

Sd./x x x x/Commissioner.

Copy of letter No.106/0/48 dt.1-5-48 from the Managing Director, Cuddapah Ele. Supply Co. Ltd. to the Commissioner, Hospet.

With reference to your letter No.2981 dt.26-4-48 we write to inform you that we are prepared to accept the cost of the Cylinder head supplied to you at Rs.680/- together with interest at 12½ per annum till date of payment. We therefore request you to send the amount immediately.

Sd/x x x x/Managing Director.

Note to the Council:

This Municipality got one cylinder head on loan from the Cuddapah Ele. supply co. in 5/47 to replace one cracked cylinder head of the Deutz Engine for putting the same in commission subsequent orders were placed with M/s. Parry & Co. for a new cylinder head costing of Rs.945/-. The firm has not yet supplied the same. M/s.Cuddapah Ele. Supply are charging 12½% interest for the cost of cylinder head loaned by them. The price stated by them is Rs.680/- and the interest above comes to Rs.85/- per annum. The firm is prepared to accept the payment of cost of Rs.680/- plus interest upto date of payment. It is therefore suggested, that the amount of Rs.680/- and interest paid to avoid further interest charges.

Sd.x x x xx

Preamble: Payment of Messrs. Cuddapah Electric Supply of Rs.680/- and 85/- being the cost of one cylinder head for the Deutz Engine loaned to this municipality plus interest for one year.

Sd.x x x /Commissioner.

Municipal Ele. Engineer letter D-C.2981-47/E1 dt. 5-7-48 to A.E./ Cuddapah.

Sub: Loan of Cylinder Head by the Cuddapah Electric Supply Co. Ltd., to the Hospet Municipality.

[illegible] Municipality got one cylinder head of the Deutz Engine(76 KVA No.A.M.220, 4 Cylinder 750 RPM) from the Cuddapah Electric Supply Co. Ltd. on loan on 27-5-47. The Firm now asks this Municipality to return the Cylinder head to them or pay them the cost of the same. As I understand that the Government Electricity Department have completely taken over the above concern, I request you to kindly let me know, if the cost of the Cylinder head is payable to Govt. or to the firm. This Municipality is at present unable to return the same for want of a spare one. I also request you to kindly let me know the book value of the Cylinder Head as found in your ledgers.

Sd.x x x/ M.E.E.

Copy of letter No.D.426 dt.17-7-48 from the A.E./M.E.S.,Cuddapah to Sri N.R.Srinivasan, B.E., Municipal Electrical Engineer, Hospet.

Sub: Loan of Cylinder head by the Cuddapah Ele. Supply Co. Ltd. to the Hospet Municipality.
Ref:Your letter No.C.No.2981/47-E1 dt. 5-7-48. above

The Govt. Ele. Department have not yet taken over the Cuddapah Ele. Undertaking so far. Hence the cost of Cylinder Head may have to be paid to the Cuddapah Ele. Supply company.

I request you to kindly address the Cuddapah Ele. Supply Co., for information on the book value of the cylinder head loaned to the Hospet Municipality as the concerned ledgers are with the company and as we have not idea of its cost.

Sd. x x x /A.E./M.E.E./Cuddapah.

True copy.

N. Ranganathan
Superintendent.

P.W.D (32)

Sub:. Electricity - Hosp[et] Electrical Undertaking - Acqn. by Govt - cylinder Head taken on loan from Cuddapah Electric Co. Ltd - Payment ~~to the Co~~ of cost and interest thereon - ordered.

pp 1-2 cf 118/G.1

G.O. G.1.

Ref[erence]: From the COE (M) No. 696 C-51-51 dt 19-11-52.

Order No. 105 dt 8-1-53.

Under section 7 (3) of the Madras Electricity Supply Undertakings (Acqn) Act 1949, (Madras Act XLIII of 194[9]) the Governor of Madras hereby sanctions the payment to the accredited representative of the Cuddapah Electric Supply Co. Ltd, of an amount of Rs 680/- (Rupees six-hundred and eighty only), being the cost of the cylinder Head taken on loan from the Co by the Hosp[et] Municipal Electrical Undertaking and retained for the use of the undertaking. Sanction is also accorded to the payment of interest at 6% on the above amount for the period from the date of acquisition of the Hosp[et] Electrical undertaking viz.,

'X' on p 4 on F

from 16.3.51, upto the date of payment of the amount to the accredited representative.

2. The expenditure ~~on account of the payment~~ of the amount sanctioned in para 1 above will be debited to "8A. Capital Outlay on Electricity Schemes (I Hydro-Electric schemes (Excluding Power Reconstn) E. Hospet Scheme."

6.1.53

6.1.53

7.1.53

7.1.53

To
The CoE (M)
Accts
Addl. Chief Engr
2 cys

12

Sub: Electricity - Hospet/undertaking - Acquisition by Govt. - Cylinder Head taken on loan from Cuddapah Electric supply Co. Ltd. - Payment of cost and interest thereon

Read: From the C.O.E.(N) No.696C/51-51 dated 19.11.1952

The question dealt with in the file relates to the payment of cost, together with interest thereon, of a cylinder head taken on loan by the Hospet Municipal electrical undertaking from the Cuddapah electric Co. Ltd. The facts of the case are as follows:

2. On 27.5.47, the Hospet Municipal Electrical undertaking had taken on loan, a cylinder head costing Rs.68 from the Cuddapah Electric Co. Ltd. After some time, the Hospet Municipal Electrical undertaking was prepared to purchase the cylinder and the Cuddapah Electric Co Ltd., claimed a sum of Rs.680/-for the cylinder head plus 12% thereon towards interest. The matter was under correspondence for some time between both these licensees. In the meanwhile, the Cuddapah electrical undertaking was taken over by the Govt. on 18.11.48 under the provision of the Acquisition Act and subsequently, the Hospet Municipal Electrical undertaking also was acquired by them under the provisions of the same Act on 16.3 1951. No payment for the cylinder head in question has yet been made to the Cuddapah licensee co. Now, the Cuddapah Electric Corporation Ltd., is said to have agreed to reduce the interest rate to 6% on the cost of the cylinder in question and rendered a bill for Rs.760-12-10, being the cost of the cylinder plus Rs.81-9-6, being the interest for two years.

3. The question has now come up as to who shoul bear the cost of the cylinder head in question. Attention is in this connection invited to Sec.7 (3) of the Acquisition Act according to which, in the case of a local authority undertaking acquired by the Govt., all the rights, liabilities and obligations of the undertaking, except liabilities and obligations incurred on

account of revenue loss shall vest in the Govt. on the vesting date. With reference to the above provisions, the C.E.I.G. stated in his letter to the C.O.E.(N) dated 1.12.51 that the question of Govt. discharging the liability in question would arise only if it was proved that this liability had been properly exhibited in the books of the Hospet Elecl. undertaking as well as in the books of the Cuddapah Electric Supply Co. Ltd., as an "asset to be realised" and that the Hospet Municipality had not incurred the liability on account of revenue losses. He also stated that since both the undertakings had since been taken over by Govt., any payment or adjustment in this connection would have to be examined in detail with reference to the Books of both the concerns. The C.O.E.(N) has pointed out that there was no written agreement between the Hospet Municipality and the Cuddapah licensee Co. either in regard to the loan of the cylinder head or in regard to the payment of interest on the cost thereof. He has, however, stated that it is clear from the correspondence between these two parties on this question that the Hospet Municipality had accepted the liability to pay the cost for the cylinder head and that a sum of Rs.680/- has also been included as a liability in the Balance Sheet of the Hospet undertaking as on the vesting date. As the cylinder head in question has been taken over by the Govt. along with the other assets of the Hospet undertaking and in view of the provisions in the Acquisition Act referred to at above, he has stated that the liability to pay the sum of Rs.680/-, plus interest thereon, now vests in the Govt. He considers that in as much as the cost of the cylinder was not paid in time, it is reasonable to concede the claim of the accredited representative of the Cuddapah licensee co. for payment of interest at 6% thereon for a period of two years, amounting in all to Rs. 81-9-6. He therefore requests the approval of Govt. for payment of the cost of the

cylinder head and interest thereon to the Cuddapah licensee co. under section 7 (3) of the Acquisition Ac

4. It seems that in this case, the liability in respect of the cylinder head in question, will have to be considered with reference to the terms of acquisiti of both the Cuddapah and Hospet electrical undertaking by the Govt. Although the Cuddapah undertaking was acquired by the Govt. even as early as on 18.11.48, i. before the enactment of the Acquisition Act, the acqui sition of the undertaking is governed by the provision of that Act with reference to the provisions in Sec.3((b) therein. Compensation for the undertaking is payable under Basis C, i.e. book value basis. Section 7 (2) of the Act specifies the rights, liabilities and obligations that shall vest in the Govt. in respect of undertakings acquired under Basis C. According to Sec 7 (2)(a)(iii), in the case of an undertaking vesting i the Govt. under Basis 'C', all the rights, liabilities and obligations of the licensee under any contract relating to the borrowing or lending of money, shall vest in the Govt. In view of the above provisions, the right to collect the cost in respect of the cylinder head in question, from the Hospet Municipality, would have vested in the Govt. on the acquisition of the Cuddapah undertaking, had the transaction been covered by any contract between the Municipal Council and the Cuddapa licensee. But in the absence of such an agreement ~~the~~ right to receive the value in respect of the cylinder head, has, it seems, to be deemed to vest only with the licensee co. So far as the liability of the Govt., ~~on the acquisition of the Hospet electrical undertaking~~, to bear the charges for the cylinder head, under sec.7 (3) of the Acquisition Act referred to at A above is concerned, the position stated therein is correct.

ered into bona fide
ore the vesting date,
being a contract

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Contd.

But in view of the fact that the liability of the undertaking ~~is~~ on ~~on~~ this account as on the vesting date, was exhibited in the accounts ~~only~~ as only Rs.680/-, i.e. exclusive of interest, it seems that the Govt. are liable to pay only this amount and not any interest thereon to the Cuddapah licensee Co. But, however, as the C.O.E.(N) considers that the payment of interest thereon as demanded by the accredited representative is reasonable, this Dept. may perhaps agree to the payment of interest on the amount of Rs.680/- in question at 6% as claimed by the accredited representative, provided it is limited to the period from 16.3.51, i.e. the date on which the Hospet undertaking was acquired by the Govt., up to the date of payment of cost of the cylinder head, under sec. 7 (3) of the Acquisition Act.

4. The file may be sent to L.A.D. & Fin. for remarks if any.

12/12/52 — 15/12 L.A. — Fin

ADDITIONAL DEPUTY SECRETARY TO GOVERNMENT
AGR 813
19 DEC 1952
FINANCE DEPARTMENT

P.W.D. ww no 1012-59 E/52-1
15/12/52
LOCAL ADMN DEPT
FW16
15 DEC 1952
53535
I. CHENNAI

LAO(A)

The note of the P.W.D. from p/1 above may be perused and the file passed on to Fin ms.

16.12.52 — 16.12.52

this dept agrees to the proposal of PWD to pay Rs 680 plus interest at 6% thereon from 16.3.51.

17.12.52 Fin

LA no 53535-52
18.12.52

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Fin (P.WR)

Finance also may agree to the proposal at X on p 3 above.

Asst
29.12.52

RL
30/12/52 PWD

Fin. (Accts) 95873 PWR-1/52

P.W.D. (32)

Dy 30/12-52

ASSISTANT ... PUBLIC
30 DEC 1952
121326

Please see the notes of L.A. and Fin Depts on p 4 ante. The Depts suggestion at 'x' on p 4 ante has been accepted in L.A. and Finance Depts. ~~Draft~~ Draft order submitted is for approval.

DL
2-1-53.

SJ 1/53

DB
7.1.53

DB
7.1.53

DB